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FOREST CARBON, MARKETS AND COMMUNITIES (FCMC) PROGRAM

SEMI-ANNUAL REPORT (OCTOBER 2011– APRIL 2012)

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ACRONYMS AND ABBREVIATIONS

AGRC	Alliance for Global REDD+ Capacity
ARCC	African and Latin American Resilience to Climate Change
CARPE	Central Africa Regional Program for the Environment
CI	Conservation International
CONDESAN	Consortium for the Sustainable Development of the Andean Region
COP	Chief of Party
EC-LEDs	Enhancing Capacity for Low Emissions Development Strategies
FACTS	Foreign Assistance Coordination and Tracking System
FCMC	Forest Carbon, Markets and Communities Program
GCC	Global Climate Change
GHG	Greenhouse Gas
GHGMI	Greenhouse Gas Management Institute
ICRAF	World Agroforestry Center
IFPRI	International Food Policy Research Institute
IR	Intermediate Results
IT	Information Technology
LAC	Latin America and Caribbean
LEAF	Lowering Emissions in Asia's Forests Program
LEDs	Low Emissions Development Strategy
LISA-REDD+	Learning Initiative on Social Assessment of REDD+
M&E	Monitoring and Evaluation
MRV	Measurement, Reporting and Verification
NGO	Non-governmental Organization
PMP	Performance Monitoring Plan
REDD+	Reducing Emissions from Deforestation and Degradation "Plus"
REDD+ SES	REDD+ Social and Environmental Standards

SES	Social and Environmental Soundness
SOW	Scope of Work
SPDA	<i>Sociedad Peruana de Derecho Ambiental</i>
STA/M	Senior Technical Advisor/Manager
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
USG	United States Government
WRI	World Resources Institute

I.0 INTRODUCTION

Tetra Tech ARD was awarded the Forest Carbon, Markets and Communities (FCMC) Program from the United States Agency for International Development (USAID) in late March 2011. The USAID FCMC Program supports the implementation of the United States National Reducing Emissions from Deforestation and Degradation (REDD+) Strategy by building capacity of USAID/Washington and USAID Mission staff to design and implement REDD+ activities, through capacity building of host country governments and civil society, and through implementation of pilot activities in USAID REDD+ priority countries.

The FCMC Program has two major intermediate results (IR). The first IR aims at building shared understanding and technical capacities on tools, methodologies, and approaches that contribute to the international REDD+ architecture. This consists both of building capacity of international stakeholders and building capacity of USAID staff. The second IR focuses on working with countries on REDD+ readiness activities to undertake actions at a scale that will help them to meet their national commitments. Under this work, tools and methodologies will be field-tested and local capacity built. Actions and deliverables under these two IRs focus on four technical areas:

- 1) Social and Environmental Soundness (SES) for REDD+;
- 2) Finance and Carbon Markets;
- 3) Low Emissions Development Strategies (LEDS); and
- 4) Forest and terrestrial Greenhouse Gas (GHG) Measurement, Reporting and Verification (MRV).

This semi-annual report discusses activities and achievements from October 16, 2011 through April 15, 2012, the second half of the FCMC Program's first year.

2.0 ADMINISTRATIVE ISSUES

Since submission of the last semiannual report, FCMC has been assigned a new USAID Contracting Officer (CO), Michael Douglas. Following assignment to FCMC, Mr. Douglas has cleared several pending requests for approval, including two requests for consent to subcontract with the Greenhouse Gas Management Institute (GHGMI) and Terra Global Capital, LLC. To continue this forward momentum, an initial meeting between Mr. Douglas and the FCMC Chief of Party (COP) and Senior Technical Advisor/Manager (STA/M) occurred on March 20, 2012. A new Tetra Tech ARD FCMC Cross Cutting Task Lead has joined the team as of the first week of April. In addition, FCMC has added Information Technology (IT), Communications, and Monitoring and Evaluation (M&E) support. And finally, a new USAID-funded project, African and Latin American Resilience to Climate Change (ARCC), came online in November 2011 and is sharing office space with the FCMC project. The two programs are building synergies and efficiencies both from an administrative and technical standpoint.

3.0 SIGNIFICANT ACTIVITIES/ ACCOMPLISHMENTS

3.1 CROSS-CUTTING ISSUES AND COORDINATION TASK

During the period of October 16, 2011– April 15, 2012, FCMC undertook several cross-cutting activities: Year 2 work planning and submission; implementation of the Ecuador Integrated REDD+ Assessment and submission of the assessment report with English and Spanish summaries; submission and approval of the revised Peru Integrated REDD+ Assessment Report and Executive Summary; submission and approval of the revised “Assessment Tool to Analyze African Nations’ Readiness to Access REDD+ Carbon Market Financing”; development of an FCMC Performance Monitoring Plan, and; development of a basic project website template.

During the first half of this period the FCMC team collaborated with its COR and Activity Managers to develop the Year 2 Work Plan, approved on December 19, 2011. As originally designed, the work plan reflects an increased emphasis on cross-cutting tasks for the team, including a proposed comprehensive review of the Central Africa Regional Program for the Environment (CARPE) and a global assessment of USAID Sustainable Landscapes programs. If implemented, an FCMC review of the CARPE initiative would likely build on the methodology piloted during the Peru and Ecuador assessments. Despite the ambitious planning process, several of FCMC’s work plan activities have been stalled due to internal discussions at the USAID Washington and mission levels. As a result, FCMC is reorienting Year 2 Work Plan activities to reflect shifting priorities, with the hopes of identifying more concrete activities for the Finance and Carbon Markets and MRV tasks specifically.

From November 6-23, 2011, FCMC conducted an integrated REDD+ assessment in Ecuador; similar to the Peru assessment conducted in August 2011. The goal was to thoroughly and objectively analyze REDD+ readiness activities in Ecuador as well as to help USAID/Ecuador make strategic programming decisions for Global Climate Change (GCC) Sustainable Landscapes funding.

The assessment took an integrated look at four thematic areas: SES; Finance and Carbon Markets; MRV; and LEDS; along with the policy and institutional framework for developing REDD+ in Ecuador. The team was composed of experts in each of the thematic areas: Patricia Caffrey from Tetra Tech ARD – SES; Gabriel Thoumi from FCMC (also participated in the Peru Assessment) - forest carbon markets; local consultant Manuel Peralvo – MRV; Frank Hajek from Nature Services Peru (also participated in the Peru Assessment) – LEDS; and a local consultant with expertise in conservation biology – Robert Hofstede. Benefiting from the Peru assessment experience, the methodology was refined to foster discussion and analysis across task areas, deepen analysis through thematic focus workshops, and incorporate a LEDS component that was not previously included in the Peru assessment methodology. Key assessment activities implemented were:

- Desktop review of existing documents;
- A stakeholder workshop in Quito;
- A donor meeting in Quito;
- Two weeks of individual and focus group interviews of various stakeholders in Quito;

- A series of specific focused workshops were held in Quito related to microfinance, finance and risk management, MRV and SES; and
- Travel to the Province of Orellana and the City of Guayaquil to visit members from the business community, regional government officials, project proponents, and community stakeholders in the field.

An out-briefing, presenting key findings and opportunities, was conducted at the end of the assessment with USAID staff including the entire Environment Team, representatives from USAID's Economic Growth, Democracy and Governance and Strategic Initiatives Offices and the U.S. Department of State. Following completion of the assessment, FCMC submitted English and Spanish summaries of the Ecuador Integrated REDD+ Assessment Report, in time for use by a high-level, U.S. State Department-led delegation visit to the region. The full-length, revised report, along with responses to questions and comments, was also submitted and approved during this period. Following incorporation of comments received from USAID/Peru and USAID Washington, FCMC also submitted a revised Peru Integrated REDD+ Assessment Report. In addition to the full-length report, the approved submission package included an Executive Summary and a response to questions and comments posed by USAID counterparts. And finally, FCMC's revision of the "Assessment Tool to Analyze African Nations' Readiness to Access REDD+ Carbon Market Financing" was approved. No comments were received from the USAID Africa Bureau.

In addition to these activities, FCMC has begun to develop a project website. With assistance from both the FCMC IT Coordinator and Tetra Tech ARD Communications Specialist, a design template and Scope of Work (SOW) were approved that incorporate final construction and maintenance of the website, as well as ongoing basic communication and IT functions. Tasks include FCMC staff training to manage the website, in conjunction with a broader vision for dissemination and publication of documents.

During this period FCMC also designed and submitted its Performance Monitoring Plan (PMP) and is awaiting comments and/or approval. FCMC's PMP uses the new, re-engineered Foreign Assistance Coordination and Tracking System (FACTS) indicators issued by the U.S. State Department's Office of U.S. Foreign Assistance Resources in November 2011. It should be noted that the FCMC contract only stipulates the production of bi-annual status reports, annual work plans, and quarterly financial reports for core activities. In the spirit of developing greater analytical rigor for FCMC, the project has developed this monitoring and evaluation plan part way through the first year of the project.

In other cross-cutting news, discussions are underway related to potential FCMC activities in Sierra Leone, Honduras and East Africa (specifically, a review of USAID East Africa agro-forestry projects). In response to the increasing emphasis on such activities, FCMC hired a Cross-Cutting task lead in April 2012.

3.2 SOCIAL AND ENVIRONMENTAL SOUNDNESS (SES) TASK

Throughout this period, the SES task has been engaged in several ongoing activities. An ambitious work plan outlined efforts to support new and existing international initiatives, the design of an experts' workshop, preparation of a side event at the United Nations Framework Convention on Climate Change (UNFCCC) 17th Conference of the Parties in Durban, South Africa, a number of reports addressing SES safeguard policies, standards, and lessons learned, and a multi-faceted November 2012 training course in Bangkok.

One of the major SES activities to occur during this period was an international experts' workshop on the Social Dimensions of REDD+, held 16-19 October 2011 with 40 participants in attendance. The results of this workshop were broadly shared and discussed at an Open Forum event on the same topic, on 21 October 2011, which was attended by 110 people. The Forum event was held at the Woodrow Wilson Center and proceedings can be accessed at:

<http://www.wilsoncenter.org/event/social-dimensions-redd-current-practices-and-challenges>

Results of the two events were then shared at a United States Government (USG) side event, “Seeing the People with the Trees: the Social Dimensions of REDD+,” at the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties meetings in Durban, South Africa, on 2 December 2011. This side event was attended by approximately 60 people, and involved a lively discussion period. Considerable effort went into preparing for this event, including the design of visual images for the hyperwall (which included many photos submitted by FCMC partners) to accompany the presentations. This event was webcasted by the U.S. Department of State, and can be found in its archive at:

<http://conx.state.gov/media/seeing-people-with-trees/>

This period also saw the development of consultancies exploring topics outlined in the Year 2 work plan. In particular, one consultant produced a lengthy draft of a major review of safeguards and standards used by multilateral donors, bilateral donors and non-governmental organizations (NGOs), which are – or could be – applicable to REDD+ activities. Following a thorough peer review process, a revised report draft was submitted to the SES task lead. Constructive feedback received from the peer review team is being used to edit the report, which will ultimately provide guidance for USAID in consideration of its own policies on these matters.

FCMC is supporting the newly-established Learning Initiative on Social Assessment for REDD+ (LISA-REDD+) through another consultancy, examining *ex ante* and *ex post* methodologies for social impact assessment, related to the design and ongoing monitoring of REDD+ projects and programs. Following meetings held in October and December of last year, it was agreed that the LISA-REDD+ experts’ workshop would be held at the World Agroforestry Center (ICRAF) in Nairobi, Kenya from May 8-10, 2012. Considerable work has been involved in organizing the logistics, contracting the facilitator and rapporteur, and identifying participants. The report analyzing and proposing *ex ante* and *ex post* social assessment methodologies will serve as background to the workshop.

Work is also underway to organize a major, week-long training course on social and environmental soundness, to be held in Bangkok, Thailand, or elsewhere in Southeast Asia in early November 2012 (potential dates include 5-9 November 2012). This workshop will not only be geared towards USAID staff, but also towards USAID partners, including contractors, project implementers, government counterparts, and non-governmental organization (NGO) staff. The USAID regional office in Bangkok and the Lowering Emissions in Asia’s Forests (LEAF) Program are keen to be involved in designing, implementing, and hosting this event.

In terms of support to other NGO initiatives, a concept note has been revised and submitted to FCMC for support to the Alliance for Global REDD+ Capacity (AGRC). This concept note covers two activities – preparation of a competency framework and design and establishment of a web platform. Work is underway to prepare the relevant SOW’s, and it is expected that FCMC consortium partner Conservation International will undertake this activity. And finally, discussions are ongoing at the USAID mission and regional bureau levels regarding FCMC support to a REDD+ Social and Environmental Standards (REDD+ SES) initiative in Ecuador.

3.3 FINANCE AND CARBON MARKETS TASK

During this period, the Finance and Carbon Markets task completed a report entitled the “US Government Investments and Policies to Facilitate Forest Carbon Finance and Markets,” identifying options for USG agencies to facilitate private and public sector investment in the forest carbon market, as well as the Finance and Carbon Markets Lexicon, a task-specific lexicon of key terms and acronyms, also translated into Spanish. It has also begun work on a report exploring forest and land-use emerging compliance markets.

The task is currently engaged in conversations with FCMC's USAID Activity Manager regarding the implementation of key deliverables outlined in the Year 2 Work Plan. These key deliverables include a possible Finance and Carbon Markets Dialogue series, which would bring leading private sector institutions, USG agencies and other actors together to discuss pathways to catalyze private sector engagement in the REDD+ sector, based on recommendations from the US Government Investments and Policies to Facilitate Forest Carbon Finance and Markets paper.

Concurrent to efforts related to the Finance and Carbon Markets Dialogue series, the task has developed a SOW for a paper/pilot plan and potential training session for the Colombian government on finance and markets. In addition, the task has also developed a draft SOW for a possible USAID-supported Andes REDD+ Finance and Markets meeting in Colombia in September 2012, including a background paper reviewing, at length, Colombian, Ecuadorean, and Peruvian REDD+ finance and carbon markets enabling frameworks and opportunities for regional engagement. This initiative is currently on hold. Finally, the task is developing a number of concept papers for further possible FCMC work.

3.4 LOW EMISSIONS DEVELOPMENT STRATEGIES (LEDS) TASK

This was a period of evolution in the development of the FCMC LEDS task area, as well as the identification of long-term, concrete activities. Following a lengthy period of discussion, it was decided that the LEDS task would participate in the Ecuador Integrated REDD+ Assessment. In addition, the LEDS Year 2 Work Plan includes the development of a LEDS plan for the agriculture and forestry sectors in the Colombian Magdalena River Basin, as well as a policy paper outlining an integrated approach to REDD+, LEDS and ecosystem-based adaptation.

Following the decision to expand the scope of the Ecuador Integrated REDD+ Assessment to include a LEDS component, the task lead prepared a list of activities to be incorporated into the assessment methodology that support both Enhancing Capacity for Low Emissions Development Strategies (EC-LEDS) and FCMC objectives. The task lead then identified a local LEDS expert to join the assessment team and participated in activities and report-writing as outlined earlier.

The proposed LEDS activities in Colombia were pursued by an inception and scoping mission coordinated by USAID/Colombia, with the participation of Rebecca Butterfield (USAID FCMC LEDS Activity Manager) and Tim Killeen (FCMC LEDS Task Lead), who met with Claudia Martínez, a Colombian environmental policy expert. Ms. Martínez facilitated a series of meetings with government authorities and civil society representatives with the goal of identifying a project that contributes to the national climate change strategy, particularly as it pertains to the Magdalena watershed. Ms. Martínez subsequently formulated a pre-proposal to field test the REDD+, LEDS and ecosystem-based adaptation concept in the Upper Magdalena River Basin, where deforestation and poor land use threaten the economic utility of two hydropower facilities. Ms. Martínez was contracted on a short-term basis to expand the proposal, formalize partnerships with key national and subnational agencies, and provide a detailed work plan and budget for further consideration (the action plan was submitted to USAID mission staff and approved in early April). A SOW was developed for a Colombian company, E3, to undertake longer-term work on the initiative and was approved by the USAID Contracts Officer.

Beyond preparation for Colombia LEDS work, a policy paper was completed that explains how an integrated approach to REDD+, LEDS and ecosystem-based adaptation creates numerous synergies that are mutually supportive for all three climate change policy frameworks. The paper is currently undergoing USAID review. In addition, there have been preliminary discussions on possible FCMC LEDS work in Georgia.

Finally, discussions regarding the recruitment of a full-time, Arlington-based LEDS task lead have been tabled in light of the development of the Colombian LEDS activity and hiring of a full-time FCMC Cross-Cutting task lead.

3.5 MEASUREMENT, REPORTING AND VERIFICATION (MRV/INVENTORIES) TASK

During this period, the MRV task furthered efforts related to two major Year 2 Work Plan activities: development of a manual of best practices for building sustainable GHG monitoring systems, and; coordination with the SilvaCarbon group.

Over the past six months, the main focus of the MRV task has been the development of guidelines on best practices for various activities that must comprise a national REDD+ MRV system. The manual includes modules addressing forest stocks and emissions reporting, and will form the basis for subsequent MRV trainings. All SOW's for this consortium-wide effort have been approved. Following completion of detailed chapter outlines, substantive writing is underway. Some chapters have reached the point of first drafts, and are currently being edited by co-authors.

In addition, several coordination calls have been held with the USAID FCMC Activity Manager, centered on collaboration strategies with SilvaCarbon. As a result of these calls, the MRV task was made aware of the new SilvaCarbon lead for the Andes region, situated in Lima, Peru. Following on this news, the MRV task is attempting to arrange a conference call with the new SilvaCarbon lead to discuss collaboration. And finally, the MRV task is arranging the next FCMC-SilvaCarbon conference call to discuss timing of the proposed joint SilvaCarbon-FCMC workshops in the Andes. This output would include one-to-three regional workshops on information exchange and MRV options in the region.

The MRV task, in collaboration with FCMC partners, has developed a number of concepts which are being discussed with the USAID MRV Activity Manager.

4.0 ISSUES TO CONSIDER/ RESOLVE

At this critical juncture, the main issue involves strategies to expedite the implementation of pending FCMC activities, as well as to add more concrete activities to the pipeline (specifically for the Finance and Carbon Markets and MRV tasks, but also to roll out more work on SES). A significant amount of FCMC's obligated funding remains unallocated and in need of programming – a topic of discussion for the upcoming FCMC/USAID meeting on April 19, 2012. With the recent arrival of a Cross-Cutting task lead, there is increased impetus to implement cross-task activities. The new task lead will not only head implementation of Cross-Cutting initiatives, but also assist in extracting linkages and lessons learned across specific activities. Pending activities include the following:

- The proposed CARPE assessment;
- FCMC support to REDD+ SES activities in Ecuador
- Forest Trends Dialogue Process on USG Forest Carbon Finance
- Bringing the FCMC website online and further communication planning

Additionally, FCMC is still pending comments and/or approval of its PMP, submitted on February 9, 2012.

5.0 SUMMARY AND CONCLUSION

During this period FCMC has begun to deliver a number of products related to its Year Two Work Plan. The addition of the Cross-Cutting task lead will add significant capacity to the project and team, and will lead to a reevaluation of operating modalities for the program. FCMC's role in international policy processes – particularly related to UNFCCC proceedings – is still in need of refinement. As noted in the previous section, the most critical issue for FCMC and USAID is to significantly increase the number of activities in the pipeline. The need to identify activities will be the subject of ongoing discussion in the coming months. To achieve this, further direction is needed from USAID, coupled with FCMC contributions to the development of concept notes.

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